

Introduced by Senator Calderon

January 29, 2009

An act to amend Sections 16430, 17201, 17211, 17212, 17222, 17240, 17243, 17244, 17245, 17253, 17271, 17275, 17276, and 17280 of the Government Code, relating to public finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 116, as introduced, Calderon. State warrants.

(1) Existing law specifies the types of securities that are eligible for the investment of surplus state funds.

This bill would include warrants as a type of securities that is eligible for the investment of surplus state funds.

(2) Existing law authorizes the California Victim Compensation and Government Claims Board to make rules and regulations governing the issuance and sale of registered warrants.

This bill instead would authorize the Controller to adopt, amend, and repeal rules and regulations governing the issuance, sale, and payment of registered warrants, reimbursement warrants, and refunding warrants and to implement emergency regulations, as specified.

(3) Existing law sets forth the procedures for the sale and payment of registered warrants, reimbursement warrants, and registered reimbursement warrants, including the manner in which interest is fixed for the warrants.

This bill would modify the procedures for the sale of, applicable interest rates for, and payment of interest for registered warrants, reimbursement warrants, and registered reimbursement warrants in specified circumstances.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 16430 of the Government Code is amended to read:

16430. Eligible securities for the investment of surplus moneys shall be any of the following:

(a) Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(b) Bonds or interest-bearing notes on obligations that are guaranteed as to principal and interest by a federal agency of the United States.

(c) Bonds, *warrants*, and notes of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest.

(d) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the state, municipal utility district, or school district of this state.

(e) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, in debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, in bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, in stock, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act as amended, and in the bonds of any federal home loan bank established under that act, obligations of the Federal Home Loan Mortgage Corporation, in bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act as amended, and bonds, notes, and other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act as amended.

(f) (1) Commercial paper of “prime” quality as defined by a nationally recognized organization that rates these securities.

1 Eligible paper is further limited to issuing corporations, trusts, or
2 limited liability companies approved by the Pooled Money
3 Investment Board that meet the conditions in either subparagraph
4 (A) or subparagraph (B):

5 (A) Both of the following:

6 (i) Organized and operating within the United States.

7 (ii) Having total assets in excess of five hundred million dollars
8 (\$500,000,000).

9 (B) Both of the following:

10 (i) Organized within the United States as a special purpose
11 corporation, trust, or limited liability company.

12 (ii) Having programwide credit enhancements including, but
13 not limited to, overcollateralization, letters of credit, or surety
14 bond.

15 (2) Purchases of eligible commercial paper may not exceed 180
16 days' maturity, represent more than 10 percent of the outstanding
17 paper of an issuing corporation, trust, or limited liability company,
18 nor exceed 30 percent of the resources of an investment program.

19 At the request of the Pooled Money Investment Board, this
20 investment shall be secured by the issuer by depositing with the
21 Treasurer securities authorized by Section 53651 of a market value
22 at least 10 percent in excess of the amount of the state's investment.

23 (g) Bills of exchange or time drafts drawn on and accepted by
24 a commercial bank, otherwise known as bankers acceptances,
25 which are eligible for purchase by the Federal Reserve System.

26 (h) Negotiable certificates of deposits issued by a federally or
27 state-chartered bank or savings and loan association, a
28 state-licensed branch of a foreign bank, or a federally or
29 state-chartered credit union. For the purposes of this section,
30 negotiable certificates of deposits do not come within the
31 provisions of Chapter 4 (commencing with Section 16500) and
32 Chapter 4.5 (commencing with Section 16600).

33 (i) The portion of bank loans and obligations guaranteed by the
34 United States Small Business Administration or the United States
35 Farmers Home Administration.

36 (j) Bank loans and obligations guaranteed by the Export-Import
37 Bank of the United States.

38 (k) Student loan notes insured under the Guaranteed Student
39 Loan Program established pursuant to the Higher Education Act
40 of 1965, as amended (20 U.S.C. Sec. 1001 and following) and

1 eligible for resale to the Student Loan Marketing Association
2 established pursuant to Section 133 of the Education Amendments
3 of 1972, as amended (20 U.S.C. Sec. 1087-2).

4 (l) Obligations issued, assumed, or guaranteed by the
5 International Bank for Reconstruction and Development, the
6 Inter-American Development Bank, the Asian Development Bank,
7 the African Development Bank, the International Finance
8 Corporation, or the Government Development Bank of Puerto
9 Rico.

10 (m) Bonds, debentures, and notes issued by corporations
11 organized and operating within the United States. Securities eligible
12 for investment under this subdivision shall be within the top three
13 ratings of a nationally recognized rating service.

14 SEC. 2. Section 17201 of the Government Code is amended
15 to read:

16 17201. ~~The California Victim Compensation and Government~~
17 ~~Claims Board~~ *Controller may make adopt, amend, and repeal*
18 *rules and regulations governing the issuance and, sale, and payment*
19 *of registered warrants, reimbursement warrants, and refunding*
20 *warrants and to otherwise implement the purposes of this chapter*
21 *as emergency regulations in accordance with the rulemaking*
22 *provisions of the Administrative Procedure Act (Chapter 3.5*
23 *(commencing with Section 11340) of Part 1 of Division 3 of Title*
24 *2). Notwithstanding subdivision (e) of Section 11346.1, for the*
25 *purposes of the Administrative Procedure Act, including Section*
26 *11349.6, the adoption of the regulations shall be deemed to be an*
27 *emergency and necessary for the immediate preservation of the*
28 *public peace, health and safety, or general welfare.*
29 *Notwithstanding subdivision (e) of Section 11346.1, any regulation*
30 *adopted pursuant to this section shall not remain in effect more*
31 *than 180 days unless the Controller complies with the rulemaking*
32 *provisions of the Administrative Procedure Act.*

33 SEC. 3. Section 17211 of the Government Code is amended
34 to read:

35 17211. ~~Warrants issued and registered for the purpose of paying~~
36 ~~any and all obligations owed by the state under or Registered~~
37 *warrants described in subdivisions (b) and (c) of Section 17212*
38 *issued in connection with any credit enhancement or liquidity*
39 *agreement (including in the form of a letter of credit, standby*
40 *purchase agreement, liquidity facility, or other similar arrangement)*

entered into by the state to secure or support any reimbursement warrants or refunding warrants issued pursuant to this chapter shall be based upon the same claims, and shall have the same priority as to payment from unapplied money in the General Fund, as the reimbursement warrants or refunding warrants paid with funds disbursed under or in connection with the credit enhancement or liquidity agreement. These warrants shall be issued and registered in the amounts requested by the provider of the credit enhancement or liquidity agreement.

SEC. 4. Section 17212 of the Government Code is amended to read:

17212. ~~If (a) Notwithstanding Section 17222, if at any time it is necessary to register warrants pursuant to this chapter for the payment of principal of or interest on notes issued pursuant to Section 17302 or for the payment of any obligations of the state under any credit enhancement or liquidity agreement (including in the form of a letter of credit, standby purchase agreement, reimbursement agreement, liquidity facility, or other similar arrangement) authorized pursuant to Section 5922, notwithstanding Section 17222, the warrants shall bear interest at the rate specified in the notes or the credit enhancement or liquidity agreement, as the case may be either the fixed or variable interest rate specified in the notes as the interest rate for that warrant or, if no rate is set forth, the fixed or variable interest rate borne by the notes. In both cases, the interest rate on those warrants shall not exceed 12 percent per annum.~~

~~(b) Notwithstanding Section 17222, if at any time it is necessary to register warrants pursuant to this chapter for the payment of any obligations of the state under any credit enhancement or liquidity agreement, including in the form of a letter of credit, standby purchase agreement, reimbursement agreement, liquidity facility, or other similar arrangement, authorized pursuant to Section 5922, the warrants shall bear interest at the fixed or variable rate specified in the credit enhancement or liquidity agreement as the interest rate for those warrants. Those registered warrants may provide for periodic payment of interest thereon prior to redemption.~~

~~(c) Notwithstanding Section 17222, if at any time it is necessary to register warrants pursuant to this chapter for the payment of any periodic interest payment on registered warrants described~~

1 *in subdivision (b), the warrants shall bear interest at the fixed or*
2 *variable rate specified in the credit enhancement or liquidity*
3 *agreement as the interest rate for those warrants and shall be*
4 *payable only upon redemption of the warrants.*

5 *(d) Notwithstanding subdivisions (b) and (c), in no case shall*
6 *the total sum of interest payments under the credit enhancement*
7 *or liquidity agreement and on any warrants described in*
8 *subdivisions (b) and (c) exceed the amount of the appropriation*
9 *pursuant to law for the payment of interest under the credit*
10 *enhancement or liquidity agreement.*

11 SEC. 5. Section 17222 of the Government Code is amended
12 to read:

13 17222. By a majority vote, the committee shall fix the rate of
14 interest paid on registered warrants at not more than 5 percent per
15 annum, *except, if the committee determines that it is in the best*
16 *interests of the state to do so, the committee may fix the rate of*
17 *interest paid on any registered warrants at no more than 12 percent*
18 *per annum.*

19 SEC. 6. Section 17240 of the Government Code is amended
20 to read:

21 17240. As used in this chapter:

22 (a) “Reimbursement warrants” refers to warrants drawn by the
23 Controller on the General Fund pursuant to this article to reimburse
24 the General Cash Revolving Fund for demands against the General
25 Fund for which warrants were drawn against the General Cash
26 Revolving Fund.

27 (b) “Refunding warrants” refers to warrants drawn by the
28 Controller on the General Fund pursuant to this article to provide
29 funds for the payment of reimbursement warrants bearing a fixed
30 maturity date *or warrants issued pursuant to Section 17211.*

31 SEC. 7. Section 17243 of the Government Code is amended
32 to read:

33 17243. The Controller may fix a maturity date for
34 reimbursement warrants, and indorse upon each warrant, the date
35 upon which ~~it~~ *the principal amount of the warrant* will be paid
36 and redeemed. *The Controller may fix periodic payment dates for*
37 *interest on reimbursement warrants or provide that interest on*
38 *reimbursement warrants be paid only upon redemption, provided*
39 *that interest on registered reimbursement warrants for which the*
40 *committee has not fixed a maximum rate of interest pursuant to*

1 *Section 17244 shall be paid only upon redemption of the registered*
2 *reimbursement warrant.*

3 SEC. 8. Section 17244 of the Government Code is amended
4 to read:

5 17244. (a) ~~In~~ *Notwithstanding any other provision of law, in*
6 *lieu of prescribing a precise interest rate on registered*
7 *reimbursement warrants, the committee may fix a maximum rate*
8 *of interest for the warrants, not to exceed 12 percent per annum*
9 *for either fixed or variable interest rate warrants, and prescribe*
10 *that the interest rate thereon on the warrants, not in excess of that*
11 *maximum, shall be either of the following:*

12 (1) Fixed in accordance with the best bids for the warrants if
13 the warrants are sold at public sale.

14 (2) Fixed or variable on the terms and conditions the Controller
15 shall approve at the time of sale of the warrants if the warrants are
16 sold in negotiated sales.

17 (b) Different rates of interest for any reimbursement warrants
18 may be so fixed or established by the Controller.

19 SEC. 9. Section 17245 of the Government Code is amended
20 to read:

21 17245. Registered reimbursement warrants shall be sold by
22 the Controller at public sale to the best bidders or in negotiated
23 sales on the terms and conditions the Controller shall approve, *but*
24 *at no less than face value of the registered reimbursement warrants*
25 *offered.*

26 SEC. 10. Section 17253 of the Government Code is amended
27 to read:

28 17253. The proceeds of the sale of any registered
29 reimbursement warrant shall be deposited in the State treasury; an
30 amount equal to its face value shall be credited to the General Cash
31 Revolving Fund; and any premium received shall be ~~credited to~~
32 *deposited in the General Fund and used to the payment of interest*
33 *on the registered reimbursement warrants.*

34 SEC. 11. Section 17271 of the Government Code is amended
35 to read:

36 17271. (a) A registered warrant that bears a maturity date shall
37 be paid by the Treasurer upon that date out of any unapplied money
38 in the General Fund on the due date, available therefor.

39 (b) *Notwithstanding subdivision (a), accrued interest on a*
40 *registered reimbursement warrant shall be paid by the Treasurer*

1 *on each payment date established pursuant to Section 17243 out*
2 *of any unapplied money in the General Fund available therefor*
3 *on the payment date.*

4 *(c) Notwithstanding subdivision (a), a registered reimbursement*
5 *warrant may provide that it may be redeemed at the option of the*
6 *Controller prior to the maturity date of the warrant at a redemption*
7 *price not to exceed 110 percent of the principal amount of the*
8 *warrant plus accrued interest. The optional redemption price shall*
9 *be paid by the Treasurer out of any unapplied money in the General*
10 *Fund available therefor on the optional redemption date.*

11 SEC. 12. Section 17275 of the Government Code is amended
12 to read:

13 17275. Any interest paid on any registered warrant shall accrue
14 to the person holding the warrant on the date of redemption, *except*
15 *a registered reimbursement warrant may provide otherwise.* A
16 registered warrant ceases to bear interest on the first of the
17 following dates:

18 (a) The maturity date indorsed on its face, if any, if on that date
19 unapplied money or the proceeds of refunding warrants are
20 available for its payment.

21 (b) The date of redemption, so long as the date is at least three
22 days following the first day of published notice pursuant to Section
23 17273.

24 (c) The date specified in subdivision (b) of Section 17280.1.

25 SEC. 13. Section 17276 of the Government Code is amended
26 to read:

27 17276. (a) If on the maturity date indorsed on a registered
28 reimbursement warrant, there is no money available for its
29 payment, either from unapplied money, or from the proceeds of
30 refunding warrants the registered reimbursement warrant shall
31 continue to bear interest *on the principal amount of the warrant*
32 *and shall become payable in the same manner as registered*
33 *warrants not bearing maturity dates.*

34 (b) *Notwithstanding Section 17222, if at any time it is necessary*
35 *to register warrants pursuant to this chapter for the payment of*
36 *any interest payment on a registered reimbursement warrant, those*
37 *warrants shall bear interest at the fixed or variable rate determined*
38 *by the Controller and as specified in the registered reimbursement*
39 *warrant as the interest rate for those warrants. Interest on those*
40 *warrants shall be payable only upon redemption of the warrants.*

1 (c) *Notwithstanding subdivision (b), in no case shall the total*
2 *sum of interest payments on the registered reimbursement warrant*
3 *and the warrants registered for the payment of any interest payment*
4 *on that registered reimbursement warrant exceed an amount equal*
5 *to the interest that could have accrued on the registered*
6 *reimbursement warrant at the maximum interest rate that could*
7 *have been fixed by the committee thereon pursuant to subdivision*
8 *(a) of Section 17244.*

9 SEC. 14. Section 17280 of the Government Code is amended
10 to read:

11 17280. If at any time it is necessary to register warrants for the
12 payment of principal and interest on ~~State~~ *state general obligation*
13 *bonds or other general obligation debt instruments*, warrants so
14 registered have a prior lien in the order of their issuance on any
15 money thereafter received into the General Fund, and shall be paid
16 before any other warrants regardless of the prior issuance of the
17 latter.